



JUN 8 2001

Mr. Nick D. Bailey
Acting Director
Alabama Department of Economic
and Community Affairs
401 Adams Avenue, Suite 580
Montgomery, Alabama 36104-5690

Dear Mr. Bailey:

This is in reference to the State's recent request, under the Secretary's general waiver authority contained in Section 189(i)(4) of the Workforce Investment Act (WIA), to waive the 80 percent obligation requirement for WIA Title I funds allotted to the State, set forth at 20 CFR 667.150. Based on additional information provided by the State (described below), it appears that the requested waiver is not necessary.

At the end of April, we requested clarification from the State for more specifics justifying the need for the waiver and identifying the funding streams to which the waiver would apply (adults, dislocated workers, youth, or all three). This information was provided to us in your letter of May 10 (copy enclosed). The State clarified that the waiver request concerned the PY 2000 adult and youth funding streams. The letter further detailed the State's concerns regarding this requirement as it applies to the adult and youth within-State allocation for the 65-county Balance-of-State Local Workforce Investment Area, which prompted the State's request. Also, there is mention of possible substate problems in achieving 80 percent obligation of PY 2000 funds for adults and youth.

As part of its supplemental submission, the State has asked for an interpretation of the definition of "obligations" for the purpose of the reallocation provisions at 20 CFR 660.300 and 667.150(d). The State indicated that, in regard to the Balance-of-State local area, it appears from a review of these sections of WIA's Implementing Regulations that the State's allocation of funds to the Balance-of-State local area may be considered by the Grant Officer as an "obligation" when applying the criteria for reallocation contained in 20 CFR 667.150.

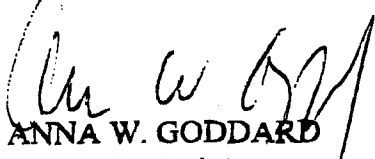
We want to clarify two points which may allay the State's concerns. First, the reallocation provisions at WIA Sections 132(c) and 127(c), and 20 CFR 667.150 only apply with respect to State-level obligations of the annual allotments for each funding stream -- adults, dislocated workers and youth. Second, the State is correct in its understanding of the regulatory language concerning what constitutes a State-level obligation for the purpose of the reallocation provisions. The definition of obligations described in 20 CFR 663.300 and 667.150(d) is intended to make clear that allocating funds available to a single State local area or to a Balance-of-State local area is no different from allocating funds available to all other local areas, and, as such, constitutes a State-level obligation for the purposes of the 80 percent requirement.



In light of the above interpretation, which confirms the State's understanding of the definition of "obligations" for the purpose of the State-level reallocation provisions, we do not believe that a waiver is necessary. Once the State has allocated the funds available for adults and youth (85 percent from each funding stream) and factored in the funds reserved for State-level administration (up to 5 percent), the State's obligation rate will, at a minimum, be at 85-90 percent and the reallocation provisions would not take effect. This determination is based on the premise that there are no issues with the State's other two local areas or the obligation rate for the dislocated worker funding stream, which, based on the State's May 10 letter, appears to be the case.

Accordingly, we are taking no further action on the State's request at this time. Should the need arise in the future, we will reconsider the State's request. We appreciate the State's views and look forward to working with the State as we proceed to fully implement the new program. We are prepared to entertain other State and local-level waiver requests that Alabama may wish to submit, consistent with the provisions of the Act and regulations.

Sincerely,



ANNA W. GODDARD
Regional Administrator

Enclosure